

MOTOR FUELS UPDATE

DEPARTMENT OF REVENUE



Volume 11, Edition 2

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October 2002

Progress Report

REFUND CLAIMS

This table shows refund claims processed during the period of July 1, 2001 through June 30, 2002. During this period, we processed 1,480 claims resulting in total refunds of \$1,782,015. During the same period the previous fiscal year, we processed 1,786 claims resulting in total refunds of \$2,110,700.

	DOLLAR AMOUNTS REFUNDED				
	Gas/Gasohol	PRF	Diesel	Aircraft	Total
Agriculture Related	\$0	\$0	\$64,513	\$0	\$64,513
Agriculture – Form 84AG	0	0	534,600	0	534,600
Blending Error (contaminated fuel)	7,705	144	11,597	0	19,446
Construction	0	0	356,991	0	356,991
Equipment (loader, etc)	0	0	82,137	0	82,137
Ethanol Production	0	143,832	0	0	143,832
Exported Fuel	10,676	7,810	77,295	0	95,781
Federal Government	57,318	1,740	7,374	6,903	73,335
Government (nonhighway)	0	0	107,909	0	107,909
Home Heating	0	0	30	0	30
Motor Vehicle Fuels Used as Aviation	5,653	0	0	0	5,653
Native American	0	0	1,857	0	1,857
Reefer	0	0	237,805	0	237,805
Sand & Gravel, etc.	0	0	45,885	0	45,885
Other	0	0	12,241	0	12,241
Totals	\$81,352	\$153,526	\$1,540,234	\$6,903	\$1,782,015

AUDITS

These tables summarize the audits completed in the last five years. The decrease in both the number of audits conducted, as well as the dollars assessed in 2000/2001, is the result of either a few audits which required a significant number of audit hours, or audits with substantial credits. In addition, a sizable number of audits resulted in no changes to the reported figures.

NOTE: These numbers do not include audits of the ethanol producer's credit program.

NUMBER OF AUDITS BY TAX PROGRAM BY FISCAL YEAR					
Tax Program	97/98	98/99	99/00	00/01	01/02
Consumers Use	0	0	1	0	4
Liquid Fuel Carriers	5	3	3	3	5
Motor Vehicle Fuels	63	54	46	45	54
PRF	41	30	31	25	28
Aircraft Fuels	15	4	9	4	7
Compressed Fuels	19	27	16	22	22
Terminals	0	0	3	0	0
Gas Tax Credit	2	5	8	4	6
Retailers	12	11	8	7	3
Diesel Fuels	62	65	51	50	64
Totals	219	199	176	160	193

Tax Program	TAX ASSESSED BY FISCAL YEAR				
	97/98	98/99	99/00	00/01	01/02
Consumers Use	\$0	\$0	\$22,271	\$0	(\$1,321)
Motor Vehicle Fuels	312,496	230,231	117,078	23,499	299,688
PRF	7,657	(4,643)	18,426	(38,408)	74,509
Aircraft Fuels	(405)	4,460	357	180	(314)
Compressed Fuels	705	15,437	1,854	26,893	761
Gas Tax Credit	66	(64,247)	(8,636)	(650)	46,098
Retailers	(3,590)	13,341	0	0	(1,253)
Diesel Fuels	56,892	120,946	67,230	7,161	149,666
Totals	\$373,821	\$315,525	\$218,580	\$18,675	\$567,834

I N S I D E

- **Ethanol Production Credit**
- **Dyed Fuel Assessments**
- **Fuel Tracking System**
- **Who is the Blender?**
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- **Retailer Reviews**

PROGRESS REPORT (CONT.)

ANNUAL STATS

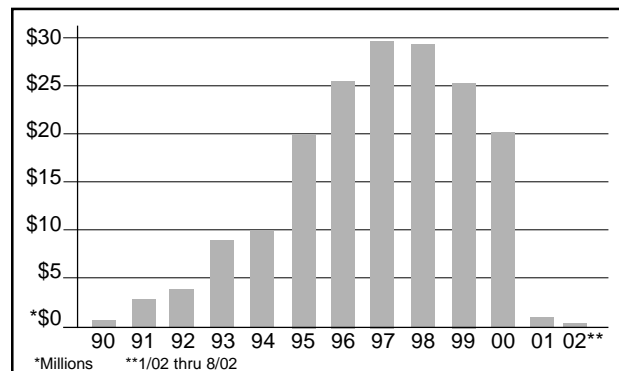
This table shows the gallons and dollars reported on taxpayer returns. It does not reflect refunds, audits, etc.

Year	GASOLINE & GASOHOL		DIESEL	
	Gallons	Tax	Gallons	Tax
1991	739,779,599	\$171,413,194	184,069,676	\$44,457,323
1992	756,633,169	167,247,079	204,081,641	47,123,036
1993	780,044,137	180,456,542	218,053,008	51,580,674
1994	756,064,292	178,484,240	228,490,205	55,638,287
1995	825,530,818	195,946,147	248,461,579	59,863,691
1996	823,709,762	205,852,173	257,268,846	65,652,081
1997	836,837,567	202,761,093	288,032,081	71,182,594
1998	855,601,075	196,488,973	316,847,281	74,253,585
1999	868,961,738	198,821,480	342,368,345	79,935,573
2000	870,394,963	202,342,801	345,504,721	82,178,507
2001	869,838,231	203,695,765	353,982,154	85,306,558

ETHANOL PRODUCTION CREDIT

Our refund section also processed claims for the Nebraska Ethanol Production Credit. These monthly claims establish the amount of the production credit earned by the ethanol producers and assigned by them to the various Nebraska motor vehicle fuels tax licensees.

Ethanol production in Nebraska had dramatically increased in 1995-1997. There are currently six ethanol plants in production in the state. Through December 31, 2000, ethanol producers could qualify to receive a 20-cent per gallon credit on a maximum of 25 million gallons of ethanol produced in Nebraska each year. Certain plants are also eligible for a 7.5-cent per gallon credit for production occurring from June 2000 through December 2003. During the 2001 legislative session, the passage of LB 536 created an 18-cent per gallon credit, which is available from

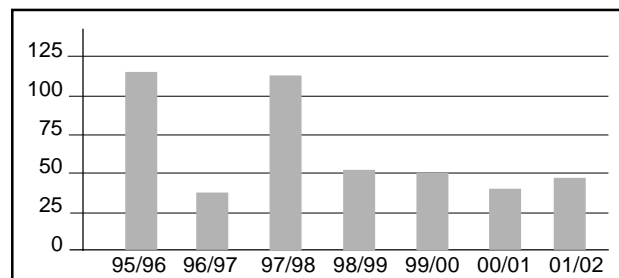


January 2002 through June 2012. As shown on the graph, the corresponding credits have grown from just over \$1,000,000 in 1990 to a peak of just under \$30,000,000 in 1997 and have been declining since as some ethanol plants reach the end of their eligibility period.

DYED FUEL ASSESSMENTS

This graph reflects the number of dyed fuel assessments issued each fiscal year. During fiscal year 2001/2002, the total number of inspections was 10,038, resulting in 47 assessments.

The amount of the penalty assessed by the State of Nebraska ranges from \$250 to \$2,500, depending upon the number of violations incurred over a five-year period. Each violation is also subject to an additional \$1,000 penalty that can be issued by the Federal Internal Revenue Service.



AUTOMATED FUEL TRACKING SYSTEM

One of the mandates contained in the legislation creating the Motor Fuel Tax Collection and Enforcement Division involves tracking the movement of fuel from the time it enters the state until it is either consumed or exported. We have been doing this for several years; however, it has essentially been a manual process.

Since requiring EDI filing in 2002, we have been able to implement an automated tracking system. This is one of the primary reasons we mandated EDI. With all individual loads of fuel in our data base, it is a relatively simple task for the computer to match what "A" says was disbursed to "B" and what "B" said was received from "A." In fact, if you've recently received a call from Rick, Teresa, or Dick, you may be all too familiar with how the system works.

While you can never avoid tax and interest, you may avoid a penalty if you notice a filing error and correct it immediately. Our statutes provide up to **30 days from the due date of the respective return** to file any necessary amendments without incurring penalties. However, if **we discover** any "missed loads" of fuel, **you** will be contacted and assessed tax, interest, **and penalty**. It may be worthwhile for you to review your filings within that 30-day window so you can avoid these penalties.

WHO IS THE BLENDER???

While tracking the movement of fuel, we find one product consistently giving us problems, **gasohol!** The seller often reports disbursing two products, gasoline and ethanol, while the purchaser reports the receipt of one product, gasohol. As you can see, this results in the blend not being reported and an automatic mismatch, which takes a lot of our time to reconcile and is impossible to do!

The blend must be reported. It cannot occur between the sale and the receipt.

- ✓ If it is disbursed as two products, it is received as two products.
- ✓ If it is disbursed as one product, it is received as one product.

It is the responsibility of the parties involved to agree what the product is and to report its disbursement and receipt uniformly.

While the Motor Fuels Division has taken different approaches to the reporting of gasohol, past experience and responses from filers indicate the

following instructions will assist industry to ensure uniform reporting and thereby efficient tracking of the movement of fuel.

- The owner of the two products, as they are being splash blended at the motor fuels terminal, is deemed to be the blender.
- The blender must report the receipt of each product and include the blend on the Schedule E of the Form 73.
- Report any subsequent reportable disbursement as product code gasohol (124). The document number should be the gasoline receipt number. If gasoline and ethyl alcohol are blended in another state before imported into Nebraska, the import should be reported as gasohol.

If you have any questions regarding this matter, please contact your Account Representative.

YOU ARE IMPORTANT TO US!

As collectors of our state motor fuels taxes, you play a significant role in ensuring that we are able to maintain Nebraska's highway system. Each month you collect almost \$25 million, which is deposited into the Highway Trust Fund for use by the Nebraska Department of Roads. **That is significant!**

Additionally, the gallonage information you provide is submitted to the Federal Highway Administration and used to determine how much federal funds we receive. That is why we place so much emphasis on having returns filed in an accurate and timely manner. Even if there is no Nebraska tax affect, unreported gallons cost us federal highway dollars.

ATTENTION RETAILERS!

Retailers can assist customers purchasing nonhighway tax-credit gasoline or gasohol by ensuring sales invoices are properly marked with the words "Nonhighway Use Motor Vehicle Fuels" or "Tax-Credit Gasoline." The purchaser should have their storage tanks marked as "Tax-Credit Gasoline."

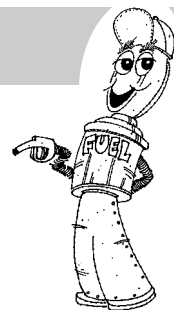
RETAILER REVIEWS

Tracking the movement of motor fuels in Nebraska is one of the major functions of the Nebraska Motor Fuels Division. Most of the tracking process involves reviewing the tax data submitted by filers of Nebraska fuel tax returns and reports. Effective July 1998, motor fuel retailers purchasing tax-paid product were no longer required to file a monthly fuel report. In lieu of the prior filing requirement, Motor Fuels Division is required to review records of these businesses. These reviews are selected randomly and are normally limited to a past year's records. Records that should be maintained and subject to review include, but are not necessarily limited to, inventory records, purchase invoices or bills of lading, sales records, and check registers.

Motor fuel retailers not required to file a monthly tax return should expect to be contacted for a review. Our goal is to review the appropriate records within a time frame that will not disrupt your normal business operations. Reviews conducted to date have been positively received by retailers who view the process as helpful in understanding the motor fuels laws.

MOTOR FUELS TAX

The Nebraska motor fuels tax for **July 1, 2002** thru **December 31, 2002** is **24.5 cents** per gallon.



FOR MOTOR FUELS TAXPAYER ASSISTANCE

Call your account representative
or toll free **1-800-554-FUEL**
(1-800-554-3835).

Lincoln residents call **471-5730**.
For ***TT** (Text Telephone),
dial **1-800-382-9309**.



***Telecommunication Device for the Deaf (TDD)** is designated by the use of **"TT,"** which is consistent with the Americans with Disabilities Act.

OR CONTACT:

Motor Fuels Division
301 Centennial Mall South
P.O. Box 98904
Lincoln, NE 68509-8904

<http://www.revenue.state.ne.us/fuels/index.htm>

If you have received a duplicate mailing or would like to subscribe, please call 1-800-554-3835

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